

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SAB-01 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

CIAE-00 DODE-00 INR-05 NSAE-00 PA-01 USIA-06 PRS-01

COME-00 LAB-01 SIL-01 NIC-01 /070 W

----- 041627

R 292231Z NOV 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2445

INFO BYGOV PAN CANAL

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EO 11652: N/UN

TAGS: ECON, PN

SUBJ: ANTI-INFLATION PLANS ANNOUNCED

REF: PANAMA A-215

1. NEW MEASURES TO BE UNDERTAKEN IN GOP'S ANTI-INFLATION AND PRO-PRODUCTIVITY CAMPAIGN WERE ANNOUNCED NOV 27 BY GENERAL TORRIJOS FOLLOWING COUNCIL OF STATE MEETING IN BOQUETE. MAJOR PLANS INCLUDE GOVERNMENT SUBSIDIES FOR INDUSTRIAL AND AGRICULTURAL LOANS BY COMMERCIAL BANKS TO REDUCE INTEREST RATE BY 3 TO 4 PERCENT; CREATION OF STATE-OPERATED INDUSTRIAL DEVELOPMENT VQNK TO ASSIST SMALL AND MEDIUM-SIZED MANUFACTURING FIRMS; CREATION BY LOCAL BANKS OF \$20 MILLION FUND FOR NO-DOWN-PAYMENT HOUSING LOANS FOR UNITS IN \$12,000-\$30,000 PRICE RANGE; TAX INCENTIVES FOR REINVESTMENT OF PROFITS BY PRIVATE FIRMS; AND ACCELERATION OF HOTEL CONSTRUCTION AND CERTAIN MAJOR GOVERNMENT PROJECTS SUCH AS OIL PIPELINE, SUGARIKILLS, CONTAINER PORT AND NEW INTERNATIONAL AIRPORT. GOVERNMENT WILL ALSO SEEK LIMIT ITS OPERATING EXPENSES WITH REDUCTION OF VEHICLE PURCHASES, TELEPHONE LINES, LEASED COMPUTER AND COPYING SERVICES, -ND
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OFFICIAL TRAVEL. AUSTERITY PROGRAM IS TO BE BROUGHT CLOSE TO HOME THROUGH PLANNED REDUCTION OF HORSE RACING SCHEDULE, CLOSING OF OFF-TRACK BETTING OFFICES, AND ELIMINATION OF BINGO GAMES IN INTERIOR.

2. IMMEDIATE RESPONSES TO ANNOUNCEMENT HAVE COME FRT

PANAMA CHAMBER OF CONSTRUCTION (CAPAC), WELCOMING HELP FOR CONSTRUCTION INDUSTRY, AND FROM COMMUNIST-DOMINATED LABOR CONFEDERATION, CENTRAL NACIONAL DE TRABAJADORES PANAMENOS, WHICH REITERATED SUPPORT FOR REGIME WHILE WARNING THAT BURDENS OF INFLATION FCUHT SHOULD NOT FALL EXCLUSIVELY ON WORKERS.

3. COMMENT: WHILE INCLUDING CALL FOR TRUTH-IN-LENDING

LEGISLATION AND GOVERNMENT CONTROL OF INTEREST RATES ON INSTALLMENT BUYING, PROGRAM ALSO PROPOSES CRACK-DOWMQON "SMUGGLING" BY UNAUTHORIZED PURCHASERS IN CANAL ZONE FACILITIES, A CONCERN OFTEN VOICED BY LOCAL BUSINESS GROUPS, WHICH ARE EXPECTED TO JOINT IN ENDORSEMENT OF GOVERNMENT'S PLANS. GENERAL ALSO USED OCCASION TO RETIERATE PROJECTS ALREADY CONTEMPLATED, SUCH AS RESUMPTION OF CITRICOS DE CHIRIQUI OPERATIONS AS COOP. ONE IMPORTANT TEST OF PROGRAM WILL BE REACTION OF BANKING COMMUNITY WHEN MOE DETAILS OF INTEREST SUBSIDY AND HOUSING FUND PLANS ARE MAKE KNOWN. AEORRIJOS SPEECH INDICATES THAT GOVERNMENT IS SERIOUS IN ITS PRODUCTIVITY AND AUSTERITY CAMPAIGN AND IS ATTEMPTING TO IMPLEMENT IT THROUGH COOPERATION WITH PRIVATE SECTOR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PANAMA06863
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740348-0212
From: PANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974113/aaaaabyq.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: PANAMA A-215
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 18 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 SEP 2002 by boyleja>; APPROVED <12 DEC 2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANTI-INFLATION PLANS ANNOUNCED
TAGS: ECON, PN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005